

Message Text

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ACTION MMO-02

INFO OCT-01 ARA-06 ISO-00 SCS-03 SS-15 SP-02 PER-01 ABF-01
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R 202030Z DEC 76
FM AMEMBASSY CARACAS
TO SECSTATE WASHDC 6039

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EO 11652: NA
TAGS: AODE CFED VE
SUBJ: MODE-PROPOSAL TO ESTABLISH RESIDENT IRS OFFICE AT NASSAU

REF: STATE 283785

1. SUMMARY: IT IS FELT THAT THE LOSS OF THE CARIBBEAN ISLANDS AS PART OF THE CARACAS IRS JURISDICTIONAL AREA WOULD NOT RESULT IN ANY POTENTIAL PERSONNEL SAVINGS. THE TIME NOW BEING DEVOTED TO THAT AREA WOULD BE APPLIED TO THE EXPECTED INCREASE IN THE WORKLOAD DUE TO THE CHANGE IN TAX LAWS AND OTHER FACTORS AND TO PROVIDE A SOMEWHAT MORE EFFECTIVE AUDIT PROGRAM IN THE REMAINING JURISDICTIONAL AREA.

2. DURING THE YEAR ENDING JULY 30, 1976, PERSONNEL FROM THE CARACAS OFFICE OF IRS SPENT 37-1/2 DAYS TRAVELING IN THE CARIBBEAN AREA. TEN TRIPS WERE MADE. THE PLACES VISITED AND THE DAYS SPENT AT EACH LOCATION ARE AS FOLLOWS:

PLACE VISITED/NUMBER OF VISITS/NUMBER OF DAYS

CURACAO, NA/4/5.5
ARUBA, NA/1/1
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PORT OF SPAIN/3/8
BARBADOS/2/6
ANTIGUA/2/7
MONTSERRAT/1/3
ST. LUCIA/1/2
MARTINIQUE/1/3

ST. MAARTEN/1/2

TOTAL NBR OF DAYS: 37.5

THE ABOVE TIME IS THE ACTUAL TIME SPENT IN TRAVEL STATUS. ADDITIONAL WORK IS DONE IN CARACAS THAT WOULD BE ATTRIBUTABLE TO THE CARIBBEAN AREA. THIS WOULD BE TIME SPENT PREPARING FOR THE TRIPS, WRITING UP REPORTS, AND TELEPHONE CALLS AND CORRESPONDENCE WITH PEOPLE IN THE AREA. PROBABLY ANOTHER 15 TO 20 DAYS COULD BE ALLOCATED TO THE AREA FOR THESE PURPOSES.

3. MOST OF THE WORK DONE IN THIS AREA IS IN CONNECTION WITH REQUESTS FOR INFORMATION RECEIVED FROM IRS DISTRICTS IN THE STATES. IT'S UNLIKELY THAT THE SAME PLACES WOULD BE VISITED IN ANOTHER YEAR WITH THE SAME FREQUENCY AS IN THE YEAR USED. HOWEVER, IT IS FELT THAT APPROXIMATELY THE SAME NUMBER OF MAN DAYS WILL BE DEVOTED TO THE AREA IN THE CURRENT YEAR. ALSO, THE TIME DEVOTED TO THE AREA IS LIMITED BY THE SMALL STAFF AVAILABLE AT THE CARACAS IRS OFFICE.

4. IT IS NOT FELT THAT ASSIGNMENT OF THE CARIBBEAN AREA TO ANOTHER IRS OFFICE WOULD RESULT IN ANY POTENTIAL PERSONNEL SAVINGS FOR THE CARACAS OFFICE. IT WOULD MERELY PROVIDE ADDITIONAL TIME TO PERFORM SERVICES IN THE REMAINING TERRITORY THAT ARE NOT BEING PERFORMED NOW BECAUSE OF LACK OF MANPOWER. WITH THE CARIBBEAN ISLANDS ASSIGNED TO ANOTHER OFFICE THE JURISDICTIONAL AREA OF THE CARACAS POST WOULD INCLUDE VENEZUELA, LIMITED OFFICIAL USE

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PANAMA, THE CANAL ZONE, COLOMBIA, EDUADOR, GUYANA, SURINAM, AND FRENCH GUIANA. THE WORK IN THIS AREA IS MORE THAN ENOUGH TO JUSTIFY PRESENT STAFFING OF THE CARACAS OFFICE.

5. THE CARACAS OFFICE HAS NEVER BEEN ABLE TO PROGRAM THE AUDIT COVERAGE CONSIDERED ESSENTIAL TO ENSURE VOLUNTARY COMPLIANCE IN THE AREA. EACH YEAR WE HAVE TAD TO RETURN ASSIGNED AUDIT CASES BECAUSE OF LACK OF MANPOWER. AT THE PRESENT TIME WE HAVE ABOUT 215 RETURNS THAT HAVE BEEN ASSIGNED TO US BECAUSE THEY APPEAR TO WARRANT EXAMINATION AND ON WHICH ACTION HAS NOT BEEN INITIATED. THESE ARE IN ADDITION TO THE APPROXIMATELY 200 RETURNS ALREADY UNDER AUDIT. BECAUSE

OF LACK OF MANPOWER IT IS PROBABLE THAT ONLY ONE-HALF OF THE 215 RETURNS WILL BE AUDITED. WITH A SMALLER TERRITORY TO SERVICE, MORE TIME COULD BE ALLOCATED TO

EXAMINING THESE RETURNS. ONLY 25 OF THE 215 RETURNS ARE
IN THE CARIBBEAN AREA.

6. BECEUSE OF THE RECENT CHANGES IN THE TAX LAWS AS
THEY AFFECT U.S. CITIZENS ABROAD, ADDITIONAL TIME IS GOING
TO HAVE TO BE PROGRAMMED FOR THE TAXPAYER SERVICE AND
EDUCATION AREA. MANY MORE AMERICANS WILL BE SEEKING

HELP WITH THEIR TAX PROBLEMS AND THE PREPARATION
OF THEIR RETURNS. MORE U.S. CITIZENS ABROAD WILL BE
USING THE FOREIGN TAX CREDIT AND PAYING HIGHER TAXES.
THE PERCENTAGE OF RETURNS NEEDING CORRECTION WILL INCREASE
AS WILL THE NECESSITY OF AUDITING A LARGER NUMBER OF
RETURNS. ALL IN ALL, THE TAX LAW CHANGES ARE GOING TO
MEAN MORE WORK FOR IRS OVERSEAS POSTS.

7. OVER THE PAST YEAR THE IRS DISTRICT OFFICES HAVE
INCREASED THEIR ACTIVITY AND EXPERTISE IN FOREIGN TAX
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OATTERS. THIS HAS RESULTED IN AN INCREASE IN THE

NUMBER OF REQUESTS FOR INFORMATION THEY HAVE SENT TO
FOREIGN POSTS. IT IS EXPECTED THAT THIS TREND WILL
CONTINUE AND WILL BE ACCELE

RATED BY THE RECENT CHANGES
MADE IN THE TAX LAWS CONCERNING CONTROLLED FOREIGN
CORPORATIONS AND FOREIGN TRUSTS.
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Concepts: ESTABLISHMENT OF OFFICES
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Draft Date: 20 DEC 1976
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Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
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Disposition History: n/a
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Margaret P. Grafeld
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04 MAY 2006

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